

# Affordable Housing Monitor

## Tracking the Mayor's progress on his affordable housing commitments

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### Key points

- The Mayor has been granted £4.82 billion in government funding for affordable homes. He has committed to starting 116,000 new affordable homes by 2022, now extended to 2023 due to COVID-19.
- In 2019/20, 17,256 affordable starts were made supported by Mayoral funding, meeting the Mayor's minimum target of 17,000-23,000 starts.
- 57,040 homes still need to be started to meet the target of 116,000 homes.
- Social Rent/London Affordable Rent starts increased by 79% in 2019/20 compared to 2018/19.
- In 2019/20, 7,775 affordable completions were made supported by Mayoral funding.

The London Assembly Housing Committee exists to hold the Mayor to account on housing issues in London.

The Affordable Homes Monitor is an annual report by the London Assembly Housing Committee. The Monitor looks at affordable housing delivery in London and tracks the Mayor's progress against his commitments.

## London's housing need

London faces a huge challenge when it comes to housing. Average rents are twice as high in London compared to other regions of the country,<sup>1</sup> average house prices in London are six times their 1970 level,<sup>2</sup> and London households in poverty are estimated, on average, to spend 56% of their total net income on housing costs.<sup>3</sup>

A key cause of increasing housing costs is the lack of new affordable homes. London's Strategic Market Housing Assessment shows that that the capital may need 65,878 new homes a year to provide enough homes for current and future Londoners.<sup>4</sup> Two thirds of these need to be social or affordable tenures.

## What are the Mayor's powers and what has he committed to do?

The most significant role that the Mayor plays in housing in London is distribution of funding to build new affordable homes. The Mayor of London receives an allocation of the Government's Affordable Homes Programme (AHP) fund. The last AHP settlement for London was £4.82 billion for the time period 2016-2021 (homes must be started by 2023). The Mayor must comply with government policy within the AHP.

The Mayor committed to starting 116,000 genuinely affordable homes by 2022, which has now been extended by the Government to 2023, due to COVID-19. Some of these homes are for rent, some are for part-sale part-rent, and some are supported housing.

## How will COVID-19 affect the Mayor's housebuilding programmes?

It's too early to fully understand the impact of the COVID-19 pandemic on housebuilding in London. Many housebuilders closed their sites during the lockdown, and those that have reopened have done so under social distancing measures. There are also reports of disrupted supply chains, and delays in the planning system. These issues are likely to result in a reduction in construction.

The Mayor has responded to these challenges by recruiting a Housing Recovery Taskforce made up of sector leaders in London. The taskforce has made a number of calls to Government, including calling for an extension of one year to the AHP agreement, and for an emergency affordable housing investment of £5 bn for London. This

would enable the Mayor to buy homes from the open market and rent them at social rent, and to change the tenure of some homes already in the development pipeline, from intermediate to social rent.<sup>5</sup>

The AHP extension has been granted as part of a nationwide extension of the fund, meaning that, in London, the target of 116,000 starts must be met by 2023, instead of 2022.

The Mayor has reiterated his calls for £5 bn per year to build affordable housing in London. However, it is unclear whether there would be capacity, particularly given the current crisis, to deliver additional development at these levels.

# Definitions

The term 'affordable housing' is an umbrella term that includes social rented, affordable rented, and intermediate housing. Affordable housing is provided by local councils and housing associations.

- **Affordable rented housing** has a rent of no more than 80 per cent of local market rent.
- **Social rented housing** rents are determined by a rent formula. This usually works out at around 50 per cent of local market rent.
- **Intermediate housing** is homes for sale and rent provided at a cost above social rent, but below market levels. This includes Shared Ownership, which offers households earning up to £90,000 per year, part-purchase of a home, with a below-market rent on the unbought share.

## London specific affordable housing

The Mayor has developed other tenures for use in London:

- **London Affordable Rent** roughly corresponds to traditional social rent at around 40–60 per cent of market levels.
- **London Living Rent** offers time-limited tenancies, with the idea that after 10 years, tenants then buy their home, perhaps through shared ownership. London Living Rent is based on a third of average local household incomes.

A condition of the Government's funding is that roughly 50 per cent of the homes funded under the AHP must be for a form of "affordable home ownership" - 58,500 of the 116,000 homes to be built under the AHP must be London Living Rent or Shared Ownership.<sup>6</sup>

## Average rents in London

To illustrate the difference in the rented tenures in London, this graph shows mean weekly rent in social tenancies (split by housing association and local authority), affordable rent, and market rent, from 2011/12 to 2018/19.<sup>7</sup>



London Living Rent and London Affordable Rent are capped by benchmarks. The benchmarks from 2017/18-2020/21 are:<sup>8</sup>

	London Living Rent				London Affordable Rent			
	2017/18	2018/19	2019/20	2020/21	2017/18	2018/19	2019/20	2020/21
One bedroom	880	899	905	926	144	150	155	159
Two bedroom	977	998	1006	1029	153	159	164	169
Three bedroom	1075	1098	1106	1131	161	168	173	178
Four bedroom	1173	11298	1207	1234	170	176	182	187
Five bedroom	1271	1298	1307	1337	178	185	192	197
Six bedroom	1368	1398	1408	1440	187	194	201	206



The Mayor focuses his targets on affordable starts rather than completions.

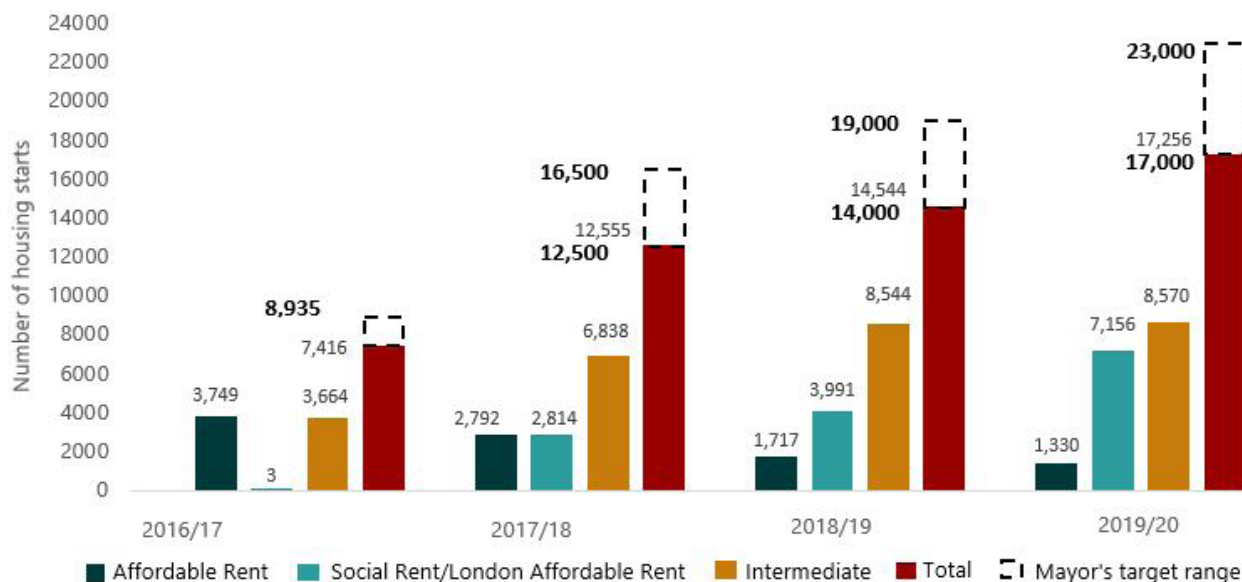
Most of London's affordable starts are part-funded by the Mayor. Other affordable homes are built by the private sector as part of their planning obligations for new developments, by boroughs using their own funding, and by housing associations via cross-subsidy from other parts of their development programmes.

## The Mayor met his minimum target for affordable starts this year

- In 2019/20, 17,256 affordable homes were started. This exceeds the bottom of the Mayor's targeted range for the year (17,000 - 23,000).
- Of these 17,256, 8,570 (50%) were for intermediate tenures, 7,156 (41%) were for Social Rent/London Affordable Rent, 9,588 (19%) were for Affordable Rent, and 603 (1%) were for an Affordable Tenure, type of which to be confirmed.
- Social rent/London Affordable Rent starts increased by 79% in 2019/20 compared to 2018/19.
- 57,040 of the total 116,000 homes remain to be started, with three years to go until the March 2023 target.

**Starts were higher in 2019/20 than any other year in the current Mayoral term, and each year has met minimum targets. This year is the highest number of affordable starts ever recorded by the GLA.**

Total affordable starts and target ranges in London for each year in the current Mayoral term (2016-2020).



## Social Rent/London Affordable Rent is increasing, but London still needs many more homes at these tenures

London needs around 31,000 homes each year at the social rent level.<sup>9</sup> While the annual number of Social Rent/London Affordable Rent starts is increasing, in line with increased Government funding, it is still far behind where it needs to be.

In 2019/20, the Mayor part-funded 7,156 starts at social/London Affordable Rent levels – an increase of 79 per cent on 2018/19. This is the greatest number of social rent starts since 2010/11, which saw 11,329 social rent starts.<sup>10</sup>

Building for social rent/London Affordable Rent is increasing. However, it only accounts for just over one quarter (27 per cent) of all affordable home starts so far in this Mayoralty. This is in contrast with starts for intermediate tenure homes: 53 per cent of affordable starts this term are for London Living Rent

## Affordable starts by borough in 2019/20

Top five boroughs with the highest affordable starts in 2019/20 are:

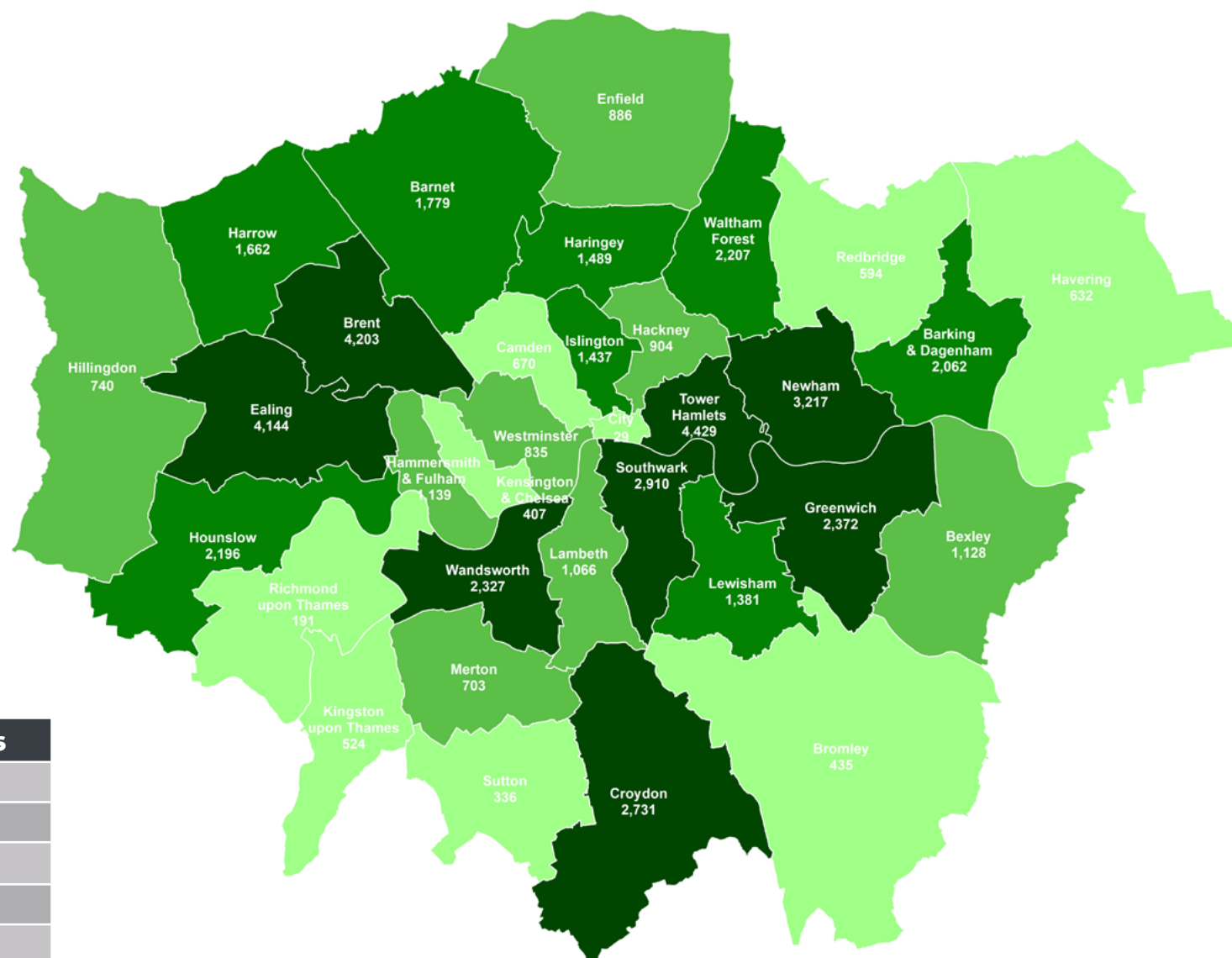
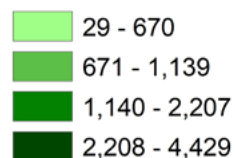
Top five boroughs	Affordable starts
Brent	1,650
Croydon	1,231
Greenwich	1,168
Southwark	1,108
Barking and Dagenham	1,007



# The Mayor's Affordable Housing Starts

Current Mayoral term (2016 - 2020)

Total affordable starts



## Affordable starts by borough in the current Mayoral term 2016-2020

Top five boroughs with the highest affordable starts in the current Mayoral term (2016-2020) are:

Top five boroughs	Affordable starts
Tower Hamlets	4,429
Brent	4,203
Ealing	4,144
Newham	3,217
Southwark	2,910

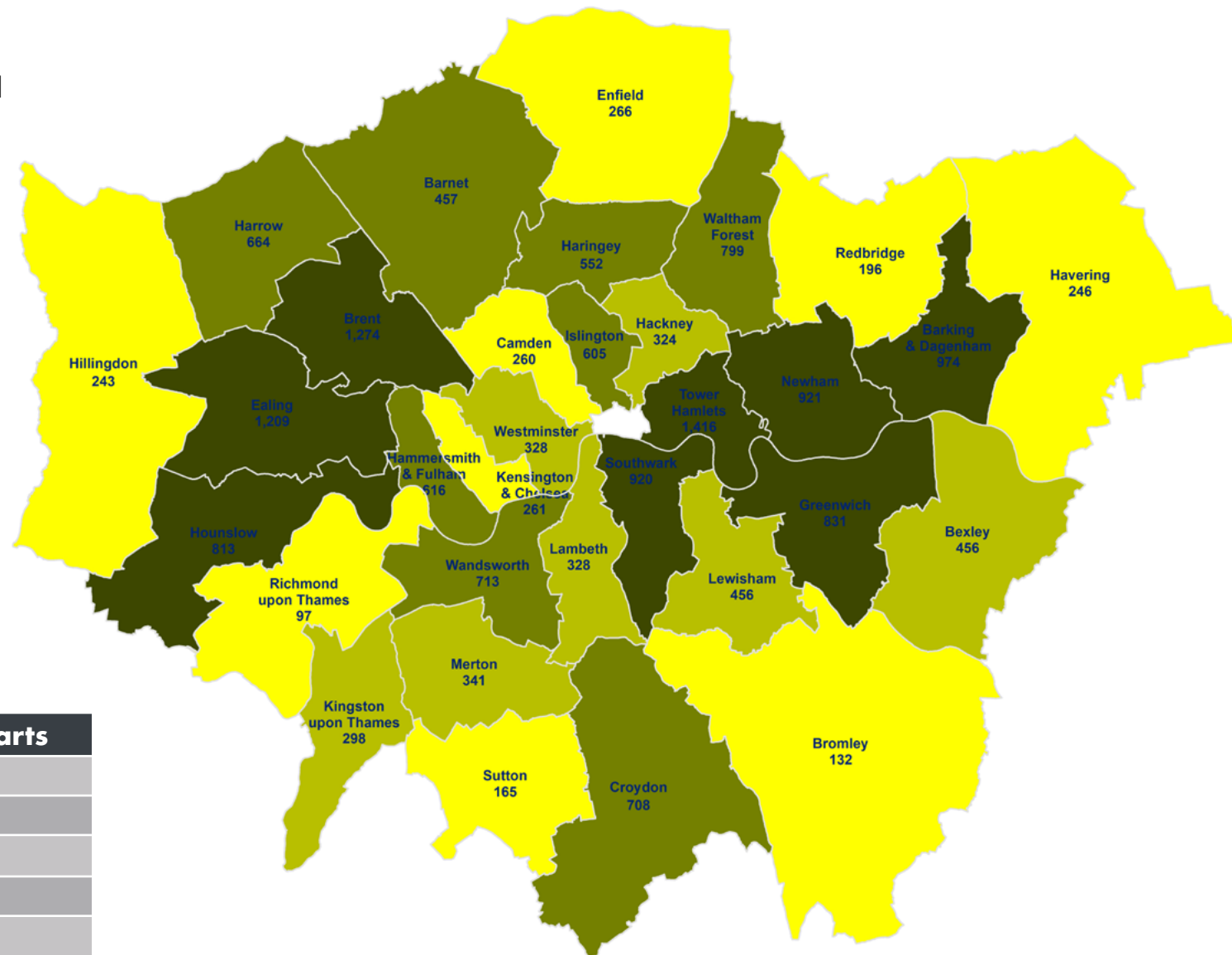
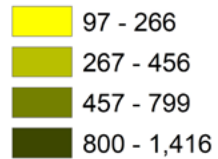
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# The Mayor's Affordable Housing Starts

## Affordable starts by borough population in the current Mayoral term 2016-2020

Current Mayoral term (2016 - 2020)

Starts per 100,000 of population



Top five boroughs	Affordable starts
Tower Hamlets	1,416
Brent	1,274
Ealing	1,209
Barking & Dagenham	974
Newham	921

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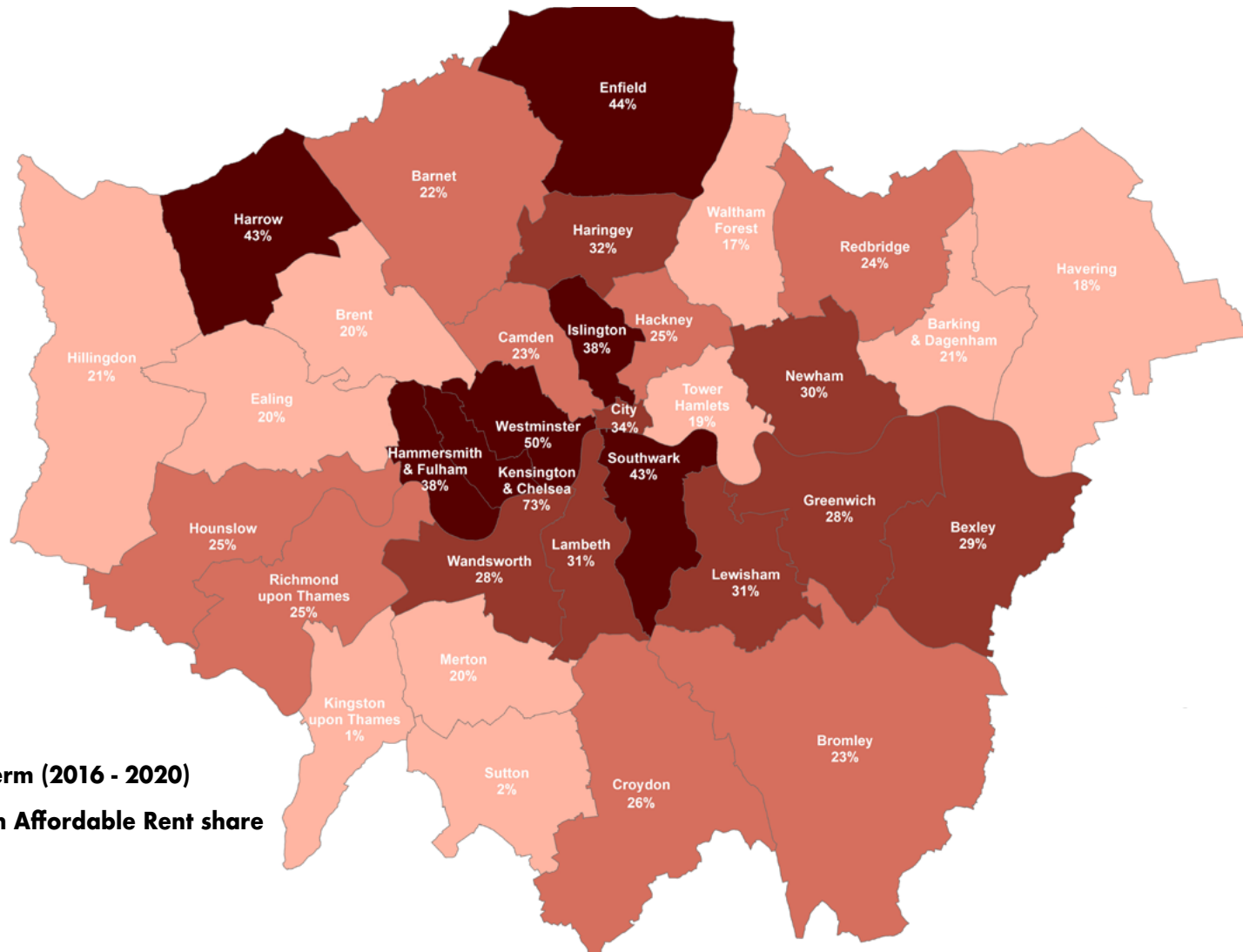


# The Mayor's Affordable Housing Starts

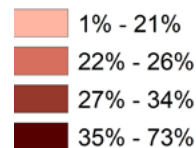
## Social rent/London Affordable Rent starts by borough in the current Mayoral term (2016–2020)

The top five boroughs with the highest percentage of affordable starts being of the Social Rent/London Affordable Rent tenure in the current Mayoral term (2016–2020) are:

Top five boroughs	Percentage	Affordable starts
Kensington and Chelsea	73%	407
Westminster	50%	835
Enfield	44%	886
Southwark	43%	2,910
Harrow	43%	1,662



**Current Mayoral term (2016 - 2020)**  
**Social Rent/London Affordable Rent share**



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# Affordable completions

While the Mayor's targets are for affordable housing starts rather than completions, we have also tracked the number of affordable housing completions in London.

There were 7,775 affordable completions in London in 2019/20, made up of the following tenures:

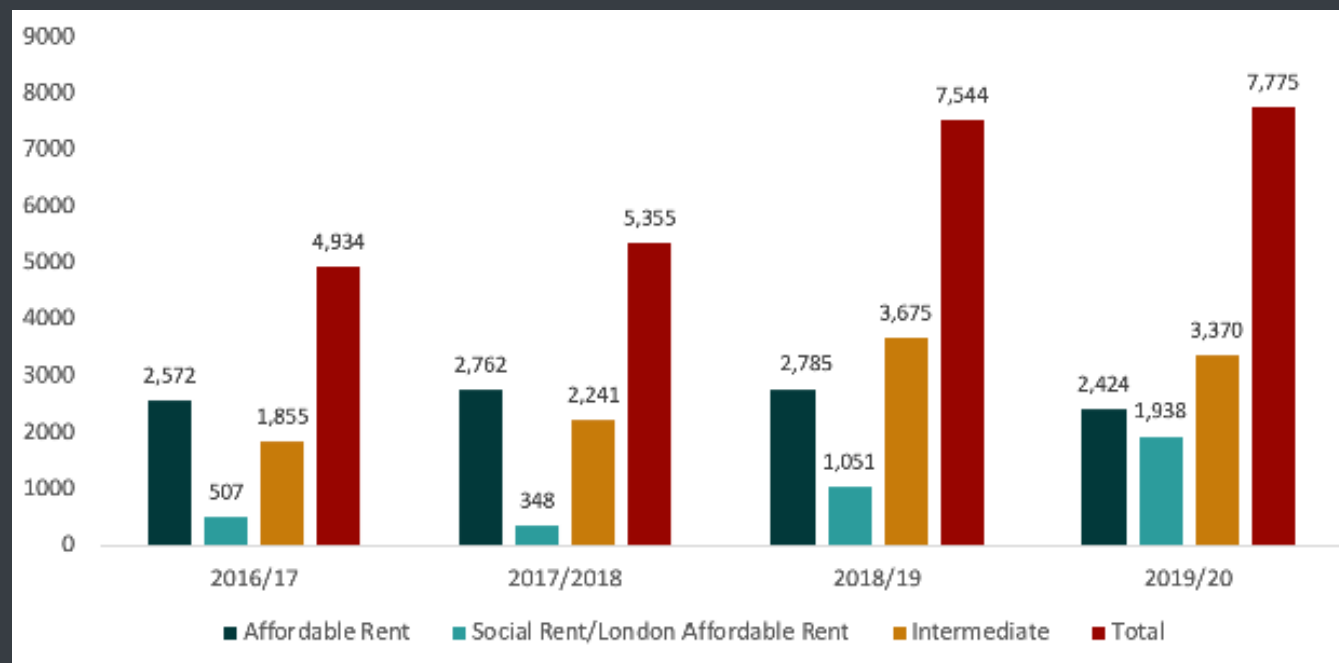
- Intermediate – 3,370 (43 per cent)
- Affordable Rent – 2,424 (31 per cent)
- Social Rent/London Affordable Rent – 1,938 (25 per cent)
- Affordable Tenure, type TBC – 43 (1 per cent)

The total number of affordable completions in **London in the current Mayoral term (2016 – 2020)** is 25,608, made up of the following tenures:

- Intermediate – 11,141 (44 per cent)
- Affordable Rent – 10,543 (41 per cent)
- Social Rent/London Affordable Rent – 3,844 (15 per cent)
- Affordable Tenure, type TBC – 80 (0 per cent rounded)

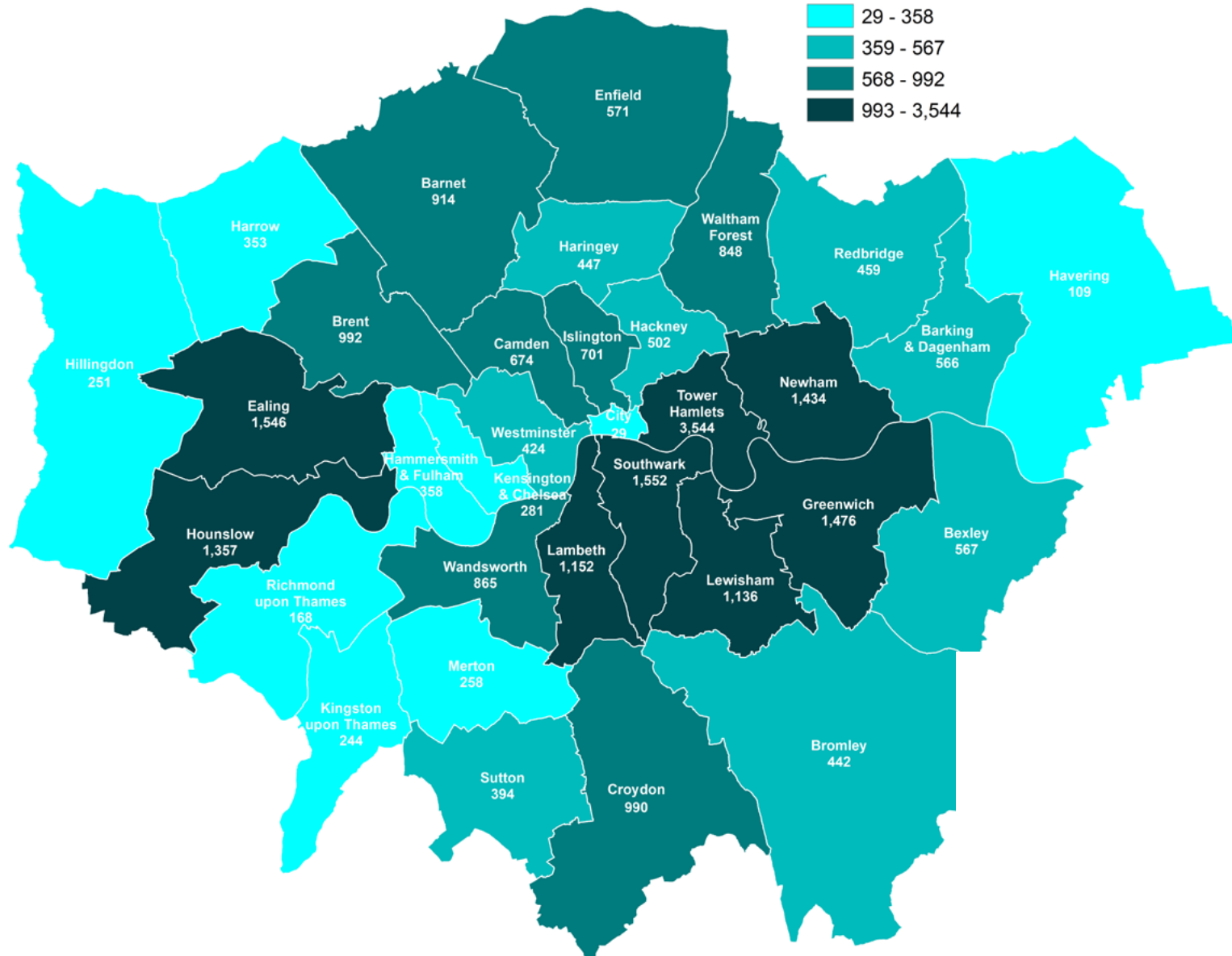
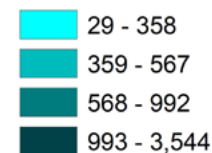
## Total affordable completions in London by tenure for each year in the current Mayoral term (2016–2020)

The rate of completions stayed similar to 2018/19 levels, with an increase of only 231 homes.



# Affordable completions by borough

### Total affordable completions



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The top five boroughs with the highest affordable completions in 2019/20 :

Top five boroughs	Affordable completions
Tower Hamlets	1,562
Southwark	585
Ealing	568
Greenwich	394
Lambeth	351

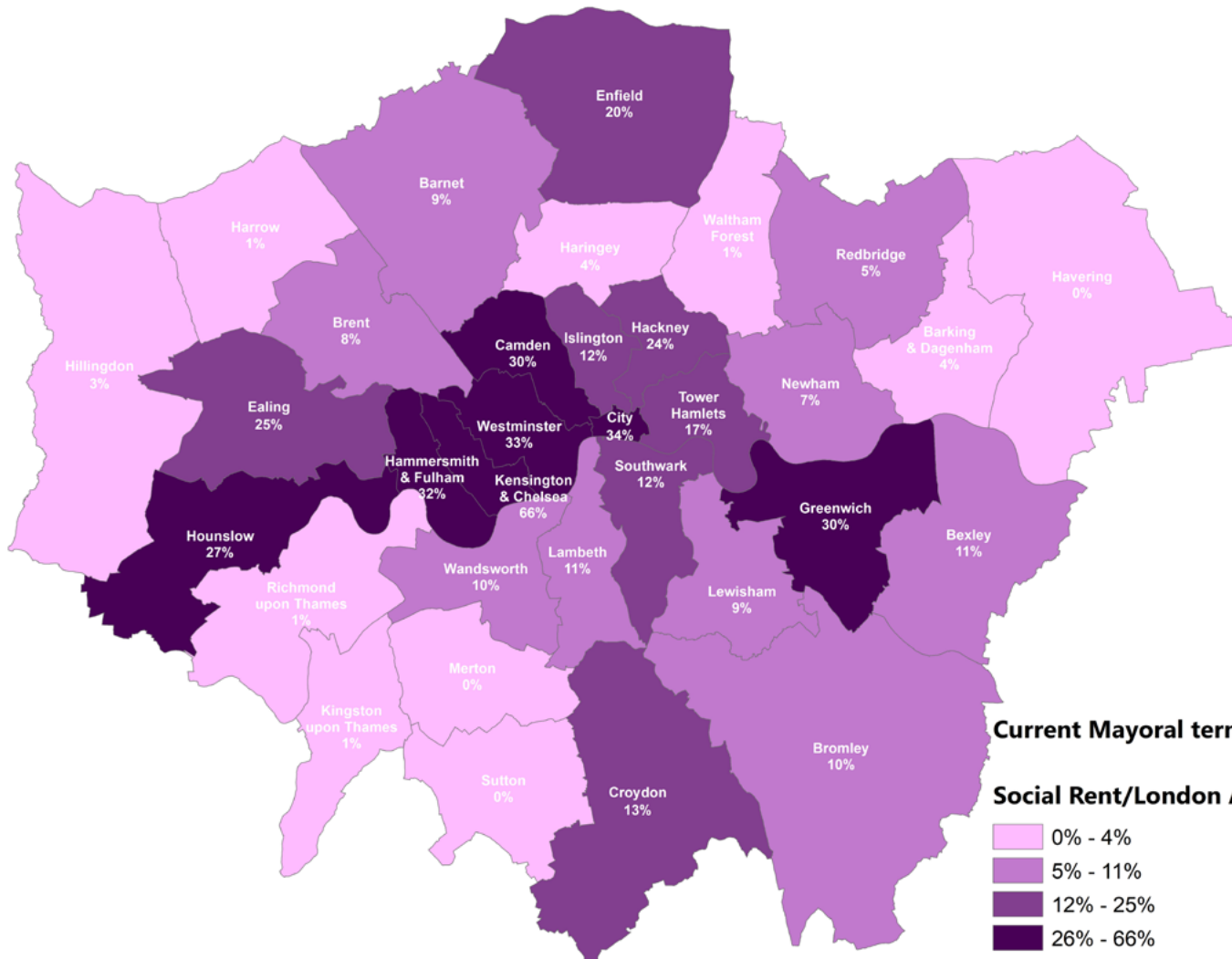
Top five boroughs with the highest affordable completions in the current Mayoral term (2016-2020):

Top five boroughs	Affordable completions
Tower Hamlets	3,544
Southwark	1,552
Ealing	1,546
Greenwich	1,476
Lambeth	1,434

# Affordable completions by borough

## Social Rent/London Affordable Rent completions in the current Mayoral term (2016-2020)

The top five boroughs with the highest percentage of affordable completions being of the Social Rent/London Affordable Rent tenure in the **current Mayoral term (2016-2020)**

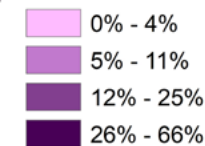


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Top five boroughs	Percentage	Affordable starts
Kensington and Chelsea	66%	281
City of London	34%	29
Westminster	33%	424
Hammersmith and Fulham	32%	358
Greenwich	30%	1,476

**Current Mayoral term (2016 - 2020)**

**Social Rent/London Affordable Rent share**



# Overcrowding and bedroom numbers

8% of households in London are overcrowded, a figure that ranges from 3% for homeowners to 15% for social housing tenants. Around 40% of children under 16 in social housing in London and a quarter of those in private rented housing in London live in overcrowded conditions.<sup>11</sup>

Family sized housing is a therefore key concern of the Housing Committee, as many Londoners are faced with living in homes too small for their needs. It is not mandatory for organisations to provide the GLA with data on the number of bedrooms in homes started through the AHP. Thus, while we have some insight into bedroom numbers, the following is not complete data:<sup>12,13</sup>

Year	2017/18	2018/19	2019/20
Number of homes with 3+ bedrooms	2,892	2,005	2,005

The Committee will continue to recommend increasing provision of family sized homes in London.

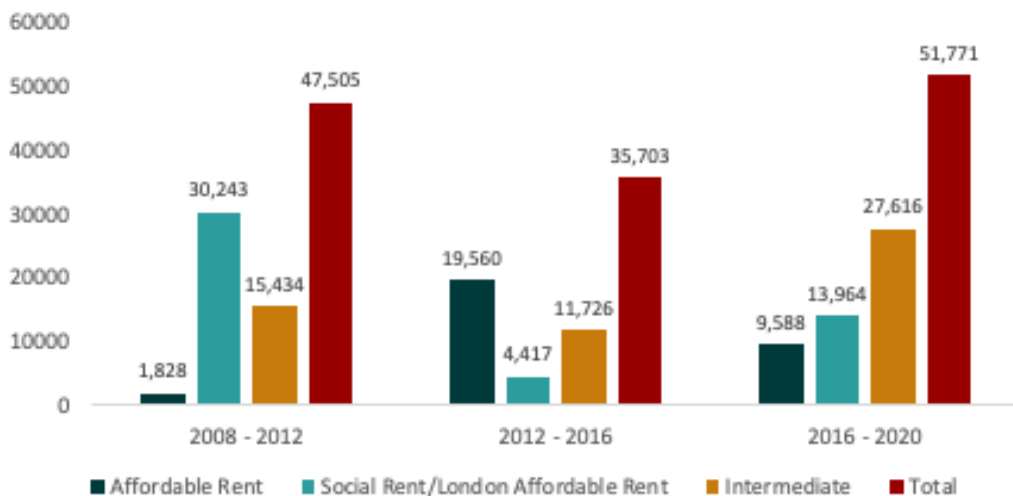


# Previous Mayors' affordable starts

It is hard to compare different Mayoral terms as funding arrangements and tenure targets have varied considerably over the years. The below graphs show the delivery figures since the 2008-2012 term.

## Affordable starts

More affordable homes have been started in this Mayoral term than in the past two Mayoral terms:



## Affordable housing completions in Mayoral terms 2008-12, 2012-16, and 2016-20

Completions have declined in this Mayoral term:

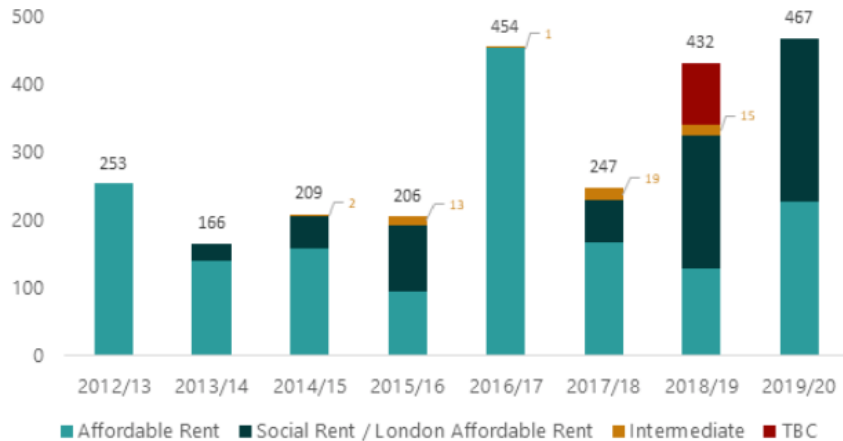


# Supported and specialist housing

The Affordable Homes Programme also funds supported and specialist housing, which is for people who have additional needs. Borough breakdowns are not available for supported housing due to the need for location confidentiality.

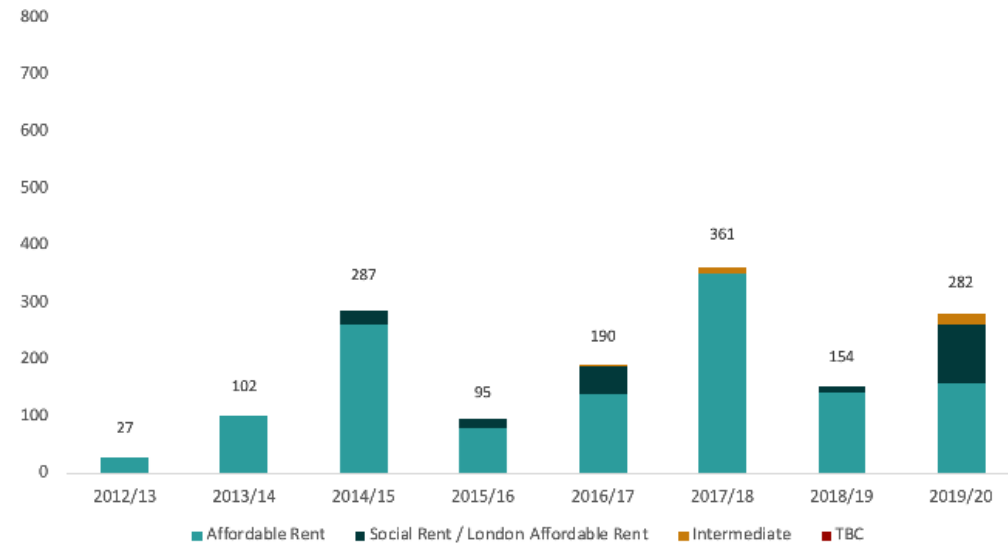
- The Mayor has committed to spending at least £100 million on developing supported housing in London.
- Supported housing starts have increased by 92 per cent compared to the previous Mayoral term.
- Under this Mayoralty the proportion of supported housing starts at Social Rent/ London Affordable Rent has increased, rising from 21 per cent in 2012-2016, to 31 per cent in 2016-2020.

**Total starts of supported and specialist housing in London by tenure for each year in the current and previous Mayoral terms (2012–2020)**



**Total completions of supported and specialist housing in London by tenure for each year in the current and previous Mayoral terms (2012–2020)**

- 2019/20 shows an 83 per cent increase on supported housing completions compared to 2018/2019. However, 2018/19 had considerably fewer completions than 2017/18.



# Affordable Housing Programme Funding Status

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The Mayor's Affordable Homes Programme has a total budget of £4.82 bn. The agreed total affordable housing starts to be delivered under this programme is 116,000 homes between April 2015 and March 2023.

The Housing Committee has requested information from the GLA about the status of the full £4.82 bn fund, and will report on this in due course.

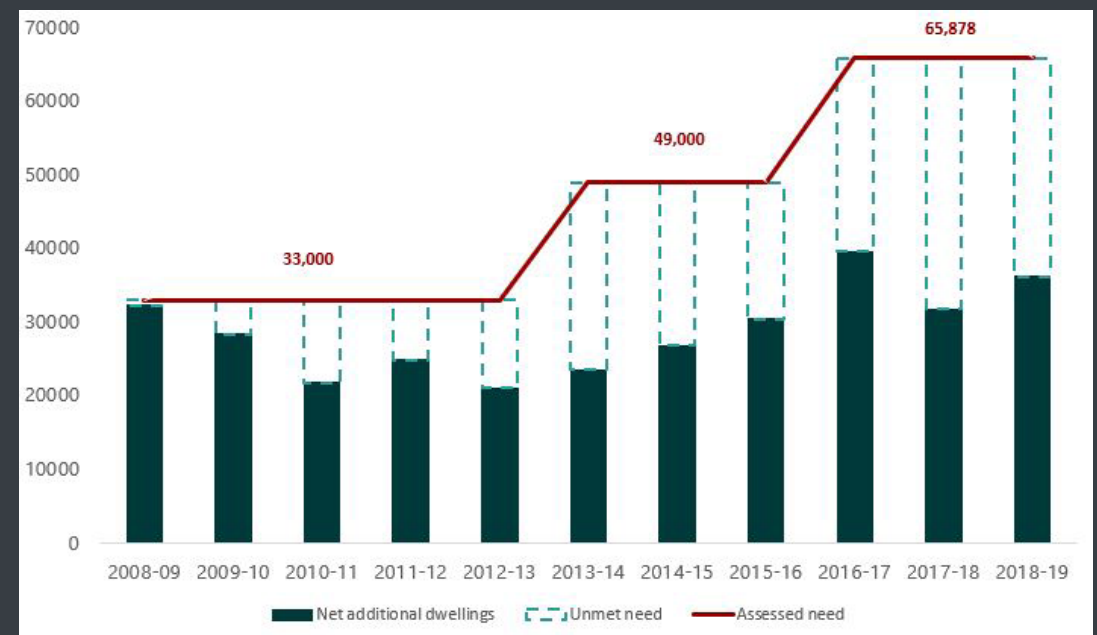


# Overall new homes delivered in London

- London needs all types of housing. The Strategic Market Housing Assessment identified in 2017 that London needs 65,878 net new homes a year to meet its housing need.<sup>14</sup>
- Data from the Ministry of Housing, Communities and Local Government register of new EPC certificates shows that in 2019/20, there were 42,633 new domestic properties in London.<sup>15</sup>
- However, we must consider net additional homes, as every year some homes are lost. In 2018/19, there were 31,851 net new homes, a shortfall of 34,027.

The London Plan Annual Monitoring report sets out the absolute increase in dwelling stock in London. 2017/18 is the latest year for which data is available.<sup>16</sup>

## Annual net additional dwellings in London



# Conclusion

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Overall the Mayor has increased the number of affordable housing starts compared to last year, and met the minimum target for 2019/20. While this is the highest number of affordable housing starts ever recorded by the GLA, there is still a long way to go before London's housing needs are met.

In the next three years the Mayor has committed to delivering 57,040 affordable starts - an average of 19,013 starts per year - to meet his target of 116,000 affordable homes by 2023.

Looking further to the future, London needs 65,878 net new homes per year. However, Planning Inspectors who examined the new London Plan, found that there was only capacity to deliver 52,000 net new homes per year.<sup>17</sup>

Government has announced that the overall fund for the 2021-2026 AHP is £12.2 bn, of which London will receive £4bn. The Mayor and the Government are currently in negotiation about what the Mayor will deliver with this funding.

The Mayor has argued that to deliver the affordable housing that London needs would require a Government grant of £4.9 bn per year.<sup>18</sup> More scrutiny is needed to identify if the housing sector in London has the capacity to deliver at that pace, particularly given that we are yet to understand the full extent of how COVID-19 will affect housebuilding in London. Whatever the terms of the final agreement, the coming year's affordable housing figures may look very different.



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